

Behavioral Health Services

Maricopa County RFP Databook Supplement # 5

Prepared by:

Arizona Department of Health Services

Division of Behavioral Health Services

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Cost Allocation Plan

I. Policies

- A. Basis of Accounting: Accrual Basis
- B. Fiscal period for state reporting: July 1, 2003 through June 30, 2004
- C. Fiscal period for corporate reporting: January 1, 2003 through December 31, 2003
- D. *ValueOptions* maintains adequate internal controls to ensure that no cost is charged as both a direct and indirect cost or as a service and administrative cost.
- E. *ValueOptions* accumulates all costs/expenses in accounts that are defined as program service, administrative, or facility.
- F. *ValueOptions* allocates costs in accordance with Generally Accepted Accounting Principles (GAAP).

II. Purpose

The purpose of this cost allocation plan is to define and provide a methodology for the allocation *ValueOptions* costs. Administrative costs have been defined by the Department of Health Services, Division of Behavioral Health Service as those costs "other than the direct provision of behavioral health services including case management to eligible and enrolled persons, necessary to manage the behavioral health system, including but not limited to: provider relations and contracting, provider billing, accounting, information technology services, processing and investigating grievances and appeals, legal services (including any legal representation of the Contractor at administrative hearings concerning the Contractor's decisions and actions), planning, program development, program evaluation, personnel management, staff development, and training, provider auditing and monitoring, utilization review and quality assurance". [See ADHS/DBHS Solicitation H8-024 dated June 22, 1998]

III. Methodology to Capture Corporate Costs

ValueOptions has in place a fully function accounting system that captures costs for its various activities in specific cost centers. Each cost center has been defined as a program service, facility, or administrative cost center. Costs for corporate activities are similarly captured in specific cost center which are allocated to *ValueOptions* various business units in accordance with the relative benefits received by that business unit.

IV. Description of Costs

- A. Program Service Costs. Costs associated with expenses which are specific to a particular program are captured in program cost centers and include such costs as personal services, professional and outside services, travel occupancy, etc. These costs are direct program service costs, in that they are direct service activities. These costs may be specific to a single program or are shared with another program. Those costs that are shared among programs will be allocated in accordance with one of the allocation methods described in Exhibit A. *ValueOptions* also contracts for direct program services for children's services, seriously mentally ill services, general mental health and substance abuse services, prevention services, and other general



assistance and Native American Services. These contracted program services are also captured in the *ValueOptions* accounting system and are classified as direct program services in each of the program areas.

- B. Administrative Cost Centers. Those costs that have been defined by ADHS/DBHS as administrative costs are captured in *ValueOptions* administrative cost centers. Those costs include, but are not limited to salaries and wages, employee-related expenses, legal, professional and outside services, travel, mileage reimbursement, training, etc., (not to include any criminal, civil or monetary penalty or any other legal costs that would be disallowed costs as defined under 48CFR31.205-47). These costs are indirect costs as they are incurred for the common benefit of multiple direct program service activities and are grouped according to the nature of the cost. The costs are allocated in accordance with the methodologies described in Exhibit A. The allocation methodology utilized is documented during the allocation process.
- C. Facilities Cost Centers. Expenses captured in the facility cost center include expenses for rent, and utilities, and equipment expenses. These costs are indirect costs as they are incurred for the common benefit of multiple direct program service activities and are grouped according to the nature of the cost. The costs are allocated in accordance with the methodologies described in Exhibit A. The allocation methodology utilized is documented during the allocation process.



Cost Allocation Plan

EXHIBIT A

- Revenue
- Total hours spent by staff
- Square footage
- Number of machines
- Full time equivalent counts
- Direct service hours spent by staff
- Member counts
- Enrollment counts
- Claims counts
- Units of service
- Total direct expenses
- Total direct plus allocated direct
- Total allocated direct

Other quantifiable methods which fairly and accurately represent the benefit received by the program

Summary of Revenues and Expenses (Revised in RFP Amendment #4)

This section includes audited behavioral health revenue and expenses by program for Maricopa County. The information was taken from the audited financial statements submitted by the RBHA for SFY00 through SFY02. The first six months of SFY03 data is from the unaudited financial statements.

SFY00

Category of Service	Title XIX Child	Non-Title XIX Child	Title XXI Child	Title XIX SMI	Non-Title XIX SMI	Title XXI SMI	Title XIX GMH/SA	Non-Title XIX GMH/SA*	Other	Mgt & Gen	Total
TOTAL REVENUE	35,995,758	9,825,156	683,050	41,004,554	64,948,502	77,654	8,975,488	28,987,042	7,672,708	2,891,874	201,061,786
Service Expense	19,440,015	5,137,828	610,706	47,595,083	70,397,012	37,143	8,389,320	20,589,391	5,313,491	-	177,509,989
Other and Unrelated Business**	-	-	-	-	-	-	-	-	-	2,739,213	2,739,213
Admin Expense	2,852,381	833,364	45,471	3,728,838	5,269,362	9,348	871,591	2,368,964	739,365	66,275	16,784,959
TOTAL EXPENSES	22,292,396	5,971,192	656,177	51,323,921	75,666,374	46,491	9,260,911	22,958,355	6,052,856	2,805,488	197,034,161

* This column now reflects Non-Title XIX GMH and SA dollars. The substance abuse dollars were reclassified from the Other column into this column.

** Income tax expense is included in Other and Unrelated Business and is not allocated between populations.

SFY01

Category of Service	Title XIX Child	Non-Title XIX Child	Title XXI Child	Title XIX SMI	Non-Title XIX SMI	Title XXI SMI	Title XIX GMH/SA	Non-Title XIX GMH/SA*	Other	Mgt & Gen	Total
TOTAL REVENUE	41,156,446	10,855,841	2,696,987	50,517,389	69,597,738	30,501	11,316,746	27,457,351	10,385,599	3,756,608	227,771,206
Service Expense	27,860,289	6,986,019	2,337,912	41,964,480	64,407,424	51,800	14,770,353	20,638,780	8,914,207	1,381,549	189,312,813
Other and Unrelated Business**	4,098,014	1,228,105	64,572	2,011,206	127,366	(9,333)	(1,719,401)	1,897,487	276,366	-	7,974,382
Admin Expense	3,229,610	848,753	202,387	3,847,424	5,308,338	2,120	872,123	2,229,040	813,357	322,449	17,675,601
TOTAL EXPENSES	35,187,913	9,062,877	2,604,871	47,823,110	69,843,128	44,587	13,923,075	24,765,307	10,003,930	1,703,998	214,962,796

* This column now reflects Non-Title XIX GMH and SA dollars. The substance abuse dollars were reclassified from the Other column into this column.

** Income tax expense is included in Other and Unrelated Business and is not allocated between populations.

SFY02

Category of Service	Title XIX Child	Non-Title XIX Child	Title XXI Child	Title XIX SMI	Non-Title XIX SMI	Title XXI SMI	Title XIX GMH/SA	Non-Title XIX GMH/SA*	Other	Mgt & Gen	Total
TOTAL REVENUE	50,968,439	9,860,363	2,790,401	115,010,544	69,638,996	29,090	26,855,981	25,302,380	19,355,209	1,337,189	321,148,592
Service Expense**	44,835,974	8,497,539	2,448,007	93,026,455	60,868,618	25,331	31,031,375	20,235,671	17,206,271	452,386	278,627,627
Other and Unrelated Business	-	-	-	-	1,068,499	-	-	-	880,980	197,836	2,147,315
Admin Expense	3,859,976	753,541	209,579	8,778,755	5,193,923	2,195	2,048,886	2,000,204	1,112,115	-	23,959,174
TOTAL EXPENSES	48,695,950	9,251,080	2,657,586	101,805,210	67,131,040	27,526	33,080,261	22,235,875	19,199,366	650,222	304,734,116

* This column now reflects Non-Title XIX GMH and SA dollars. The substance abuse dollars were reclassified from the Other column into this column.

** Income tax expense included in the Service Expense line.

SFY03***

Category of Service	Title XIX Child	Non-Title XIX Child	Title XXI Child	Title XIX SMI	Non-Title XIX SMI	Title XXI SMI	Title XIX GMH/SA	Non-Title XIX GMH/SA*	Other	Mgt & Gen	Total
TOTAL REVENUE	28,219,801	4,055,419	1,152,422	71,906,529	37,256,352	111,605	18,010,701	12,532,994	14,033,735	269,690	187,549,248
Service Expense**	24,517,710	3,869,092	1,242,056	60,911,903	33,919,073	46,946	18,726,956	8,652,719	13,292,647	76,825	165,255,927
Other and Unrelated Business	-	-	-	-	-	-	-	-	860,631	104,174	964,805
Admin Expense	2,194,784	309,979	89,576	5,578,147	2,840,724	8,667	1,401,971	1,053,483	904,880	-	14,382,211
TOTAL EXPENSES	26,712,494	4,179,071	1,331,632	66,490,050	36,759,797	55,613	20,128,927	9,706,202	15,058,158	180,999	180,602,943

* This column now reflects Non-Title XIX GMH and SA dollars. The substance abuse dollars were reclassified from the Other column into this column.

** Income tax expense included in the Service Expense line.

*** Represents the first six months of SFY03.